REMARKS

I. INDEPENDENT CLAIMS 1, 18, 35, 51, 78, 94, 121, AND 137 - 103 REJECTION – SEC REFERENCE

A. Switching the SEC Reference from Individual Dial-Up Input to an Integrated OMS Would Defeat The Functionality of Its Individualized Features.
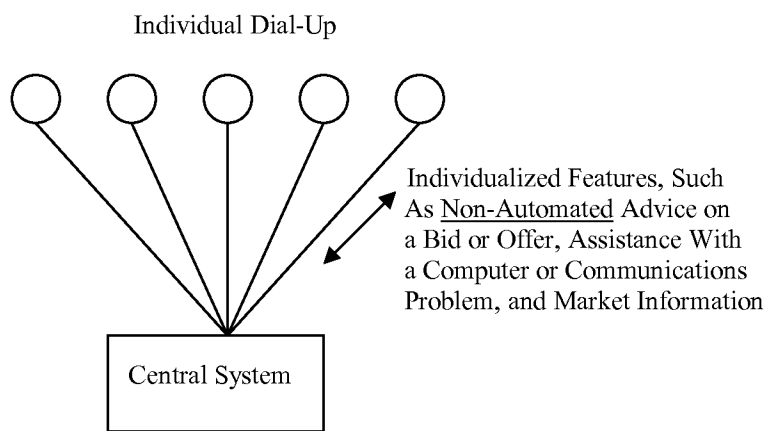
Agreement was reached in the interview that "The individualized features in LimiTrader would be cut off if an integrated OMS was grafted onto it." (See the Agreement Sheet attached to the Interview Summary.) The reasoning that supports this agreement is given below:

Key portions of the LimiTrader system demand individual interaction with the system – the sort of interaction that is readily available with individuals dialing into the system via their PC, but not via an integrated OMS.

For example, the LimiTrader system offers individual users non-automated assistance, such as advice on a bid or offer, assistance with a computer or communications problem, and market information (see SEC reference, page 9 at n2; page 5 at n10). This can be easily done when individuals dial into the system via their PCs, but not via an integrated OMS which makes use of only the data available in the OMS.

Said another way, when you choose to interpose an OMS between individual users and the central system, you lose the ability to dictate how initial data entry and storage will be done. Instead, you get only the information that is available in the OMS, and you do not get to receive into your central system additional information like individualized non-automated assistance requests. Indeed, the only way to receive such additional information is by also modifying the OMS itself, before integrating it with the central system – and this certainly would not be obvious, given that these OMSs are separately-owned and not freely modifiable. Said yet another way, in order to retain LimiTrader's individualized features, one would have to first modify the OMS, then also modify the LimiTrader system by grafting the OMS onto it. This kind of double, sequential modification is clearly outside the realm of obviousness.

The diagram below illustrates this point:

Individual Dial-Up

Multiple Users

Individualized Features, Such
As <u>Non-Automated</u> Advice on
a Bid or Offer, Assistance With
a Computer or Communications
Problem, and Market Information

OMS

Central System

Central System

<u>SEC Reference</u>: Users dial into the system via their PCs,
and can receive individualized, non-automated advice
on many important topics.
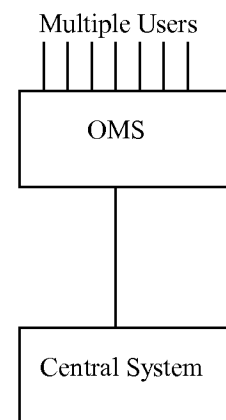
<u>SEC Reference With Proposed
Integrated OMS</u>: The OMS **blocks**
individual interaction with the central
system, thus disabling advantageous
features.

Moreover, the previously-supplied declaration of Steven Levy, an expert in order management
systems, substantiates it:

> "The OMS's in existence as of May 1999 (the priority date for the subject patent
> application) were not configured for the features described in the SEC reference,
> i.e., non-automated bid or offer advice and market information, nor were they
> capable of handling such features without prior modification to the OMS offering.
> Said another way, users could not have obtained such assistance via an OMS,
> without first modifying the OMS offering to enable these features." (See Steven
> Levy declaration, at paragraph 6.)

In sum, modifying the SEC reference to receive indications of interest or prospective transaction
entries via an integrated OMS would disable its individualized features – which are important,
advantageous parts of the LimiTrader system. A modification which renders the prior art
unsatisfactory is simply not obvious, as stated in MPEP 2143.01:

> "If [the] proposed modification would render the prior art invention being
> modified unsatisfactory for its intended purpose, then there is no suggestion or
> motivation to make the proposed modification. *In re Gordon*, 733 F.2d 900, 221
> USPQ 1125 (Fed. Cir. 1984)".

B.   Switching the SEC Reference from Individual Dial-Up Input to an Integrated OMS Would Also Negate The Advantages of Its Simple Dial-Up System.

Agreement was reached in the interview that "Regarding phone lines, it is possible to make an OMS function over regular phone lines, but it would be sub-optimal and slow." (See the Agreement Sheet attached to the Interview Summary.) The reasoning that supports this agreement is given below:

The proposed modification would also negate the advantages of a simple dial-up system that operates on standard telephone circuits, through the existing publicly-available telecom network. These simplicity advantages, which allow a great number of users to connect with and use the system easily, without having to employ complex software, are clearly an intended purpose of the LimiTrader system. Indeed, the simplicity advantages are touted in the SEC reference.

More specifically, the LimiTrader system is positioned as advantageous because it is a simple dial-up system that operates on standard telephone circuits, through the existing publicly-available telecom network. Switching the system to an integrated OMS for input purposes would negate these advantages and would instead require the complex integration of secure, private telecom circuits. As agreed in the interview, if instead one tried to make an OMS function over regular phone lines, such a system would be sub-optimal and slow.

In sum, modifying the SEC reference to use an integrated OMS would negate the advantages of its simple dial-up system – and a simple dial-up system is an intended purpose of the LimiTrader system, touted in the SEC reference. A modification which renders the prior art unsatisfactory is simply not obvious, as MPEP 2143.01 states:

> "If [the] proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or motivation to make the proposed modification. *In re Gordon*, 733 F.2d 900, 221 USPQ 1125 (Fed. Cir. 1984)".

Having to weigh the loss of advantageous features against any advantage of a proposed modification is the essence of non-obviousness. Said another way, an obvious modification is a "no-brainer" that doesn't entail the loss of advantageous features, the weighing of pros and cons, or the advantages of gaining one feature versus losing others. The proposed modification is clearly not a no-brainer, and is not obvious because it involves significant loss of advantageous features.

II.   INDEPENDENT CLAIMS 52, 62, 105, 115, 148, AND 158 – 103 REJECTION – SEC REFERENCE

A.   Claimed Features Lacking – Message Sending Component.

Agreement was reached in the interview that "The LimiTrader system does not have the message-sending component of the invention." (See the Agreement Sheet attached to the Interview Summary.) The reasoning that supports this agreement is given below:

The "LimiTrader dials two calls at a time" language, cited in the Office Action, refers not to dialing the contraparties, but rather to dialing two existing-order parties that are each contra to the party with the just-submitted order.

In other words, LimiTrader does not send a match notification message to both contraparties, as clearly defined in the claim language "generating a prospective transaction message including the transaction indication corresponding to each of the matching entries, and further providing the prospective transaction message to the user locations associated with said corresponding user identities."

Instead, LimiTrader sends a message only to the party with an existing order that is contra to a just-submitted order: "LimiTrader will dial-up the participant that entered the existing orders." (see SEC reference, page 3 at *8). LimiTrader does not notify the party with the just-submitted order, but rather relies on the existing-order party to respond to the notification message and contact the other party to begin the negotiation process: "The first participant so notified that responds to the incoming order may begin an automated negotiation process." (see SEC reference, page 3 at *8.) Indeed, after notifying the existing-order party only, the LimiTrader system has nothing further to do with the parties unless a trade results: "The Company is not involved in such negotiation and is not aware that a negotiation is occurring or has occurred unless a trade results." (see SEC reference, page 3 at *8).

Moreover, it cannot be said that the existing-order party acts as a proxy for the system in notifying the party with the just-submitted order of a match, because the existing-order party only contacts the party with the just-submitted order if it wants to. With LimiTrader, the existing-order party decides whether to contact – not the system.

Further, the SEC reference makes no mention of what its notification message contains (i.e., its content), and thus does not meet the part of these claims wherein the notification message is defined as "including the transaction message corresponding to each of the matching entries."

Finally, modifying the SEC reference to meet these key claim aspects would not be obvious, because it would involve significantly changing the very core of the LimiTrader system as detailed in page 3, *8 of the SEC reference – i.e., the way users are informed of a potential

match, as well as the way users interact with the system and with each other. In addition, contacting multiple existing-order parties only, as in LimiTrader, has a speed advantage versus contacting both contraparties. Specifically, if both contraparties are contacted, there is a good chance that one side or the other won't be interested, and then the system must start all over again. If multiple existing-order parties are contacted first, there is a good chance that at least one of the existing-order parties will be interested, and then when the existing-order party contacts the incoming-order party, the chances that a trade will occur are higher because one party is already interested.

Speed is very important in trading system operations, and clearly it is important to LimiTrader. Indeed, speed is a key reason that LimiTrader calls two existing-order parties at a time – to speed up the trading process and increase the odds that at least one of the existing-order parties will be interested.

In sum, such a change would clearly alter LimiTrader's operating principles, and thus would not be obvious. As MPEP 2143.01 states:

> "If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims prima facie obvious. *In re Ratti*, 270 F. 2d 810, 123 USPQ 349 (CCPA 1959)".

B. Claimed Features Lacking – Data Security Component.

Agreement was also reached in the interview that "The LimiTrader system does not meet the data security component of the invention, when 'restricting access' is changed to 'preventing knowledge' in the claims." (See the Agreement Sheet attached to the Interview Summary.) Accordingly, independent claims 52, 62, 105, 115, 148, and 158 have all been amended to replace 'restricting access' with 'preventing knowledge'. The reasoning that supports this agreement is given below:

The claims define a very detailed, specific data security component, whereas the SEC reference merely outlines a very general security objective:

> "The company has in place security procedures reasonably designed to (i) prevent unauthorized access to LimiTrader, both by employees of the Company or the clearing broker, by participants in the system and by persons not affiliated with the Company, the clearing broker or the system, and (ii) to safeguard the system against threats to the proper functioning of the system.." SEC reference at page 9.

The SEC reference's very general security objective cannot reasonably be construed to disclose or suggest that the LimiTrader system prevents knowledge of a party's offer by the other side, as defined in the claims.

In fact, with LimiTrader the opposite is true – after an existing-order party obtains knowledge of an incoming-order party's offer, the existing-order party can "stand pat" and not reveal his own offer to the incoming-order party. Said another way, after receiving the information that a match to his order exists, an existing-order party can opt not to respond and not negotiate (see SEC ref. page 3: "If the holder of an existing order does not wish to negotiate, no action is required."). The existing-order party – and any other existing-order party notified by LimiTrader – thus gets valuable information that someone is selling what he's buying, or vice-versa, without the contraparty ever knowing anything.

In sum, the "one-sided notification" that LimiTrader uses has significant negative implications for data security and confidentiality. With LimiTrader, existing-order parties get knowledge of a match whereas the party with the just-submitted order may not. Thus the LimiTrader system does not provide the total confidentiality that is a key objective of Applicant's invention, and which prevents the market movement that occurs when one party knows and not the other.

Finally, modifying the SEC reference to meet this key claim aspect would not be obvious, because it would alter the LimiTrader's basic operating principles (please see the earlier discussion under Claimed Features Lacking – Message Sending Component, which applies equally well here).

III. **DEPENDENT CLAIMS**

Finally, because independent claims 1, 18, 35, 51, 52, 62, 78, 94, 105, 115, 121, 137, 148, and 158 define patentably over the prior art, their respective dependent claims 2-17, 19-34, 36-50, 68-77, 53-61, 63-67, 79-93, 95-104, 106-114, 116-120, 122-136, 138-147, 149-157, and 159-163 also define patentably for the same reasons.

IV. **INVENTOR INTERVIEW SUMMARY**

Pursuant to MPEP § 2281, Applicant states that significant progress was made in demonstrating that the claims are patentable over the prior art. As discussed above, agreements were reached on several factual questions that are key determinants of patentability. These agreements were appended to the Interview Summary, and copies of the Interview Summary and Agreement Sheet are attached to this response as Exhibits 1 and 2.

CONCLUSION

For all of the above reasons, Applicant requests reconsideration of the rejections contained in the Office Action. Applicant submits that the claims all define patentably over the prior art, and that this application is now in condition for allowance.

Respectfully,

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22 February 2008   /John A. Galbreath/

EXHIBITS

1)   **Interview Summary**

2)   **Agreement Sheet Attached to Interview Summary**